



SBA Loan Programs Presentation Handout
Presented by Tony Wagner – December 14, 2004



SBA LOAN PROGRAMS

PRESENTED BY
TONY WAGNER


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OVERVIEW

- SBA's 3 LOAN PROGRAMS
 - HOW IT WORKS
 - WHERE TO APPLY
 - HOW TO APPLY
- BUSINESS PLANS & WHERE TO GET HELP
- APPROVAL CRITERIA
- INFORMATION TO PROVIDE THE LENDER

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THE PROGRAMS

- 7(A) GUARANTY
 - REQUIRES BANK PARTICIPATION
- MICRO-LOAN PROGRAM
 - REQUIRES MICRO-LENDER PARTICIPATION
- 504 LOAN PROGRAM
 - REQUIRES DEVELOPMENT COMPANY PARTICIPATION

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WHERE TO APPLY

- VISIT www.sba.gov/wi/financing.html OR
- VISIT AN AREA COMMERCIAL LENDER
 - MOST PARTICIPATE WITH SBA
 - THEY ARE YOUR ACCESS POINT
 - THEY ARE SBA's PARTNER
- THEY WILL
 - DISCUSS YOUR FINANCIAL NEEDS
 - PROVIDE THE APPLICATION
 - SUBMIT THE APPLICATION TO SBA

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www.sba.gov/wi/financing.html



7(A) GUARANTEED LOAN

- LARGEST AND MOST VERSATILE LOAN PROGRAM
- 50 - 85% SBA GUARANTEE TO THE LENDER
- \$2,000,000 LOAN MAXIMUM - NO MINIMUM
- 1 - 3½% UP-FRONT FEE PLUS CLOSING COSTS
 - PAID BY THE BUSINESS
 - CAN BE INCLUDED IN LOAN PROCEEDS
- 0.5% ANNUAL ON-GOING FEE
 - PAID BY THE LENDER
- MARKET INTEREST RATE

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MIRCO-LOANS

- \$35,000 MAXIMUM LOAN - NO MINIMUM
- FREE TECHNICAL ASSISTANCE
- \$250.00 ESTIMATED FEES & CLOSING COSTS
- AT OR SLIGHTLY LESS THAN MARKET INTEREST RATE
- LOANS APPROVED BY MICRO-LENDER
 - NOT SBA

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504 LOAN

- FIXED ASSETS ONLY
- FEES ARE ABOUT 3% OF THE DEBENTURE
 - PLUS CLOSING COSTS
 - PAID OUT OF DEBENTURE PROCEEDS
- FIXED INTEREST RATE SLIGHTLY BELOW MARKET
- \$1,500,000 MAXIMUM DEBENTURE - NO PROJECT LIMIT
 - 50% BANK PARTICIPATION
 - 10 – 20% BORROWER'S CONTRIBUTION
 - 30 - 40% SBA DEBENTURE

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BUSINESS PLAN

- WRITTEN DESCRIPTION OF THE BUSINESS
- BUSINESS PLAN ASSISTANCE
 - SBDC, SMALL BUSINESS DEVELOPMENT CENTER
 - SCORE, COUNSELORS TO AMERICA'S SMALL BUSINESS
 - VISIT www.sba.gov/wi/counselingt.html for OFFICE LOCATIONS
- NO COST TO THE BUSINESS
- PAID FOR WITH YOUR FEDERAL TAX DOLLARS

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www.sba.gov/wi/counselingt.html

APPROVAL CRITERIA

- MANAGEMENT ABILITY
- MANAGEMENT CHARACTER
- CASH FLOW
- CAPITAL
- COLLATERAL
- SIZE ELIGIBLE
- ELIGIBLE USE OF PROCEEDS

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MANAGEMENT ABILITY

- EDUCATION
- INDUSTRY EXPERIENCE
- BUSINESS EXPERIENCE
- ABILITY TO MANAGE
 - BUSINESS
 - PEOPLE
 - SALES
 - PRODUCTION
 - ETC.

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MANAGEMENT CHARACTER

- PRIOR CRIMINAL ACTIVITY
 - ON PAROLE, PROBATION, INCARCERATED
 - INELIGIBLE FOR SBA ASSISTANCE
 - PRIOR FELONIES MAY NOT PREVENT SBA ASSISTANCE
 - ONE OR LESS IN PRIOR 10 YEARS
 - SEVERAL ALL OVER 10 YEARS AGO
 - MISDEMEANORS
 - GENERALLY DON'T PREVENT SBA ASSISTANCE
- CREDIT HISTORY - CREDIT REPORT
 - RESPONSIBLE HISTORIC USE OF CREDIT
 - HISTORY OF 'PAID AS AGREED'

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CASH FLOW

- BEST INDICATOR OF FUTURE SUCCESS
- PRIOR 3 YEARS AND CURRENT
 - DOES IT SHOW REPAYMENT ABILITY?
- PROJECTIONS
 - DO THEY SHOW REPAYMENT ABILITY?
 - ARE THEY REASONABLE?
 - CONSISTENT WITH INDUSTRY STANDARDS?

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CAPITAL OR EQUITY

- REASONABLE AMOUNT AT RISK
 - COMPARED TO INDUSTRY STANDARDS
- FOR NEW BUSINESSES
 - 20-30% OWNER'S CASH (GENERALLY)
- EXISTING BUSINESSES
 - EXISTING EQUITY PER BALANCE SHEET
 - REASONABLE AMOUNT AT RISK

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COLLATERAL

- FIRST ON ASSETS ACQUIRED WITH LOAN PROCEEDS (GENERALLY)
- MUST PLEDGE ALL AVAILABLE COLLATERAL
 - BUSINESS AND PERSONAL
 - REQUIRES PERSONAL GUARANTYS
- SBA MAY APPROVE WITHOUT THE LOAN BEING FULLY COLLATERALIZED

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SIZE ELIGIBLE

- | | |
|-----------------------------|---------------------|
| ■ MANUFACTURES | 500 EMPLOYEES |
| ■ WHOLESALERS | 100 EMPLOYEES |
| ■ TRAILING 12 MONTH AVERAGE | |
| ■ RETAILERS/SERVICE | \$1.5 – \$6 MILLION |
| ■ CONSTRUCTION | \$12 – 28.5 MILLION |
| ■ AGRICULTURE | \$750,000 |
| ■ TRAILING 3 YEAR AVERAGE | |
| ■ INCLUDES ALL AFFILIATES | |

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ELIGIBLE USE OF PROCEEDS

- MOST BUSINESS USES (INCLUDING)
 - WORKING CAPITAL
 - START-UP COSTS
 - DEBT REFINANCE
 - EQUIPMENT PURCHASES
 - BUSINESS PURCHASE
 - REAL ESTATE PURCHASES

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INELIGIBLE BUSINESSES

- PRIMARILY ENGAGED IN LENDING
- PASSIVE HOLDERS OR REAL ESTATE
- LIFE INSURANCES COMPANIES
- PYRAMID SALE COMPANIES
- GAMBLING
- ILLEGAL BUSINESSES
- RESTRICTED PATRONAGE

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INELIGIBLE BUSINESSES 2

- GOVERNMENT OWNER
- PROMOTING RELIGION
- CONSUMER OR MARKETING CO-OPS
- LOAN PACKAGING
- PRURIENT SEXUAL MATERIAL
- PRIOR LOSSES TO THE FEDERAL GOV'T
- POLITICAL OR LOBBING ACTIVITY
- SPECULATIVE VENTURES

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EXPECT TO PROVIDE

START-UP

- A BUSINESS LOAN APPLICATION
- PROJECTED INCOME AND EXPENSES
- PROFORMA BALANCE SHEETS
- SOURCE AND AMOUNT OF EQUITY INJECTED
- DESCRIPTION OF THE BUSINESS
- MANAGEMENT RESUMES

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EXPECT TO PROVIDE

START-UP

- LIST OF ASSETS
 - PURCHASED WITH LOAN PROCEEDS
 - PROVIDED AS LOAN COLLATERAL
- PERSONAL FINANCIAL STATEMENT
 - ASSETS AND INCOME OF THE MARITAL UNIT
- STATEMENT OF PERSONAL HISTORY
 - HISTORY OF CRIMINAL ACTIVITY

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EXPECT TO PROVIDE

EXISTING BUSINESS

- HISTORIC FINANCIAL STATEMENTS
 - PRIOR 3 YEARS AND CURRENT WITHIN 90 DAYS
 - INCOME STATEMENT AND BALANCE SHEET
- AGING OF ACCOUNTS RECEIVABLE
- AGING OF ACCOUNTS PAYABLE
- FRANCHISOR INFORMATION
- OFFER TO PURCHASE
 - REAL ESTATE OR BUSINESS PURCHASE

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EXPECT TO PROVIDE

EXISTING BUSINESS

- APPRAISALS
 - PURCHASE OF REAL ESTATE
- ENVIRONMENTAL QUESTIONNAIRE
 - Commercial Real Estate
- LOAN TRANSCRIPT
 - Refinancing of participant debt
- BUSINESS VALUATION
 - Sale of business

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SBA WISCONSIN

■ MADISON	608-441-5263
■ MILWAUKEE	414-297-3941
■ WEBSITE	www.sba.gov/wi

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www.sba.gov/wi
